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Excess profits tax needed for windfall profits on natural gas

JANUARY 23, 2001 Written by: [Canadian Centre for Policy Alternatives](#)

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(Vancouver) BC's natural gas producers are reaping huge rewards from a hot continental energy market, a new CCPA study shows. "Who's making money on natural gas and what should governments do?" finds that the province's natural gas producers are the greatest beneficiaries of the current situation. Much attention has been focused on provincial royalty income, yet curiously absent from public scrutiny are the natural gas producers.

The top ten gas producers in BC, which pump about one third of the province's total production, stand to generate over \$1 billion in profits from natural gas at the prices predicted for the next year, and possibly much more. This will be an increase of more than 25% over the past year.

Gas distribution companies and the natural gas producers have insisted that the provincial government should provide relief to consumers by giving back some of the hefty royalties it is currently collecting.

"While the provincial government should certainly allocate some of its increased royalties to consumer relief, this is simply not enough," says the study's author, Fred Wilson. "The province's royalty gains are not the cause of high consumer prices—provincial gas royalties are a percentage of the wholesale price set by the producer at the wellhead based on supply and demand in the North American continental market," says Wilson.

"This is a question of social justice. We have a situation where gas producers are reaping huge profits, while many low-income British Columbians will be hard-pressed to pay their heating bills, hardly a luxury commodity," says Wilson.

The report calls on the federal government to impose an excess profits tax to fund consumer relief in conjunction with the provinces. It should also fund conservation and energy retrofit programs. In the longer

term, the federal government should put a lid on any new pipeline capacity to the United States, which would create a more favourable supply and demand market for Canadian consumers.

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Attachments

[Who's Making Money on Natural Gas Prices? What Should Government Do?](#)

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February 5, 11:45 am – 1:00 pm 275 Broadway,
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The CCPA acknowledges that Indigenous Peoples are the traditional guardians of Turtle Island. We remain dedicated to reconciliation, and are committed to lifting Indigenous voices. We will continue to speak out against colonialism and the injustices Indigenous Peoples faced historically and in the present. We recognize, respect and support the custodians of this land, are grateful for the opportunity to work and meet here, and commit to expanding our allyship while acknowledging the space we occupy.

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